

Foundations of **MARKETING**

Seventh Edition

Chapter 1

Customer-Driven Strategic Marketing

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Learning Objectives

- 1-1 Define marketing.
- 1-2 Explain the different variables of the marketing mix.
- 1-3 Describe how marketing creates value.
- 1-4 Briefly describe the marketing environment.
- 1-5 Summarize the marketing concept.
- 1-6 Identify the importance of building customer relationships.
- 1-7 Explain why marketing is important to our global economy.

Marketing

Marketing - creating, distributing, promoting, and pricing goods, services, and ideas to

- Facilitate satisfying exchange relationships with customers
- Develop and maintain favorable relationships with stakeholders in a dynamic environment

Focus of Marketing

- **Customers** - purchasers of organizations' products
- **Target market** - specific group of customers on whom an organization focuses its marketing efforts

Discussion Point – Appealing to Target Markets

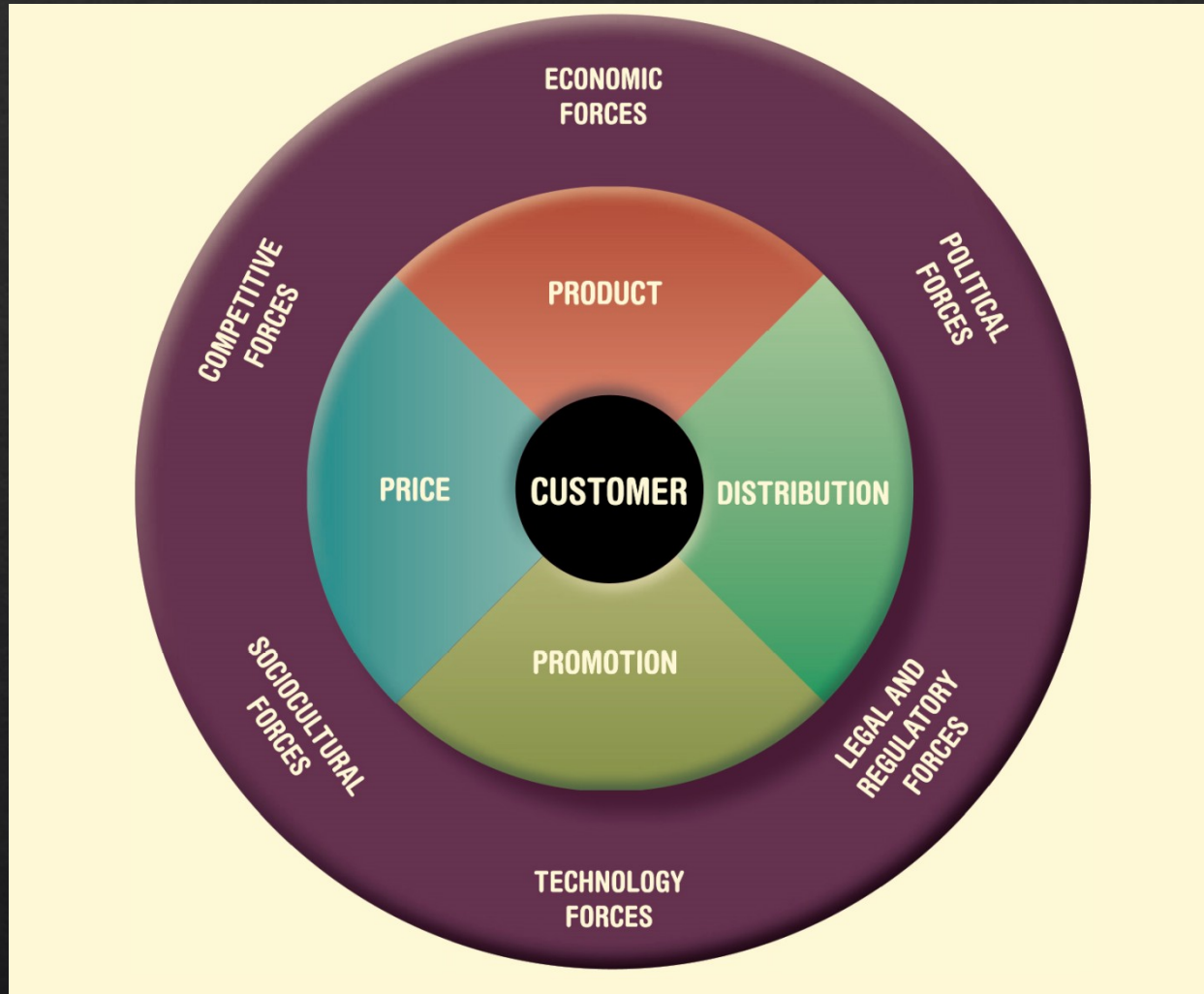


Source: Pirelli & C. S.pA

Pirelli offers an opportunity to drive a Formula One racecar, appealing to a target market of customers who want high-quality automobile and tire performance.

Is Pirelli targeting a vast number of people, or a relatively small group?

Figure 1.1 - Components of Strategic Marketing



Marketing Mix

Marketing mix - decides the type and amount of elements to be used

- Product
- Pricing
- Distribution
- Promotion

Product Variable

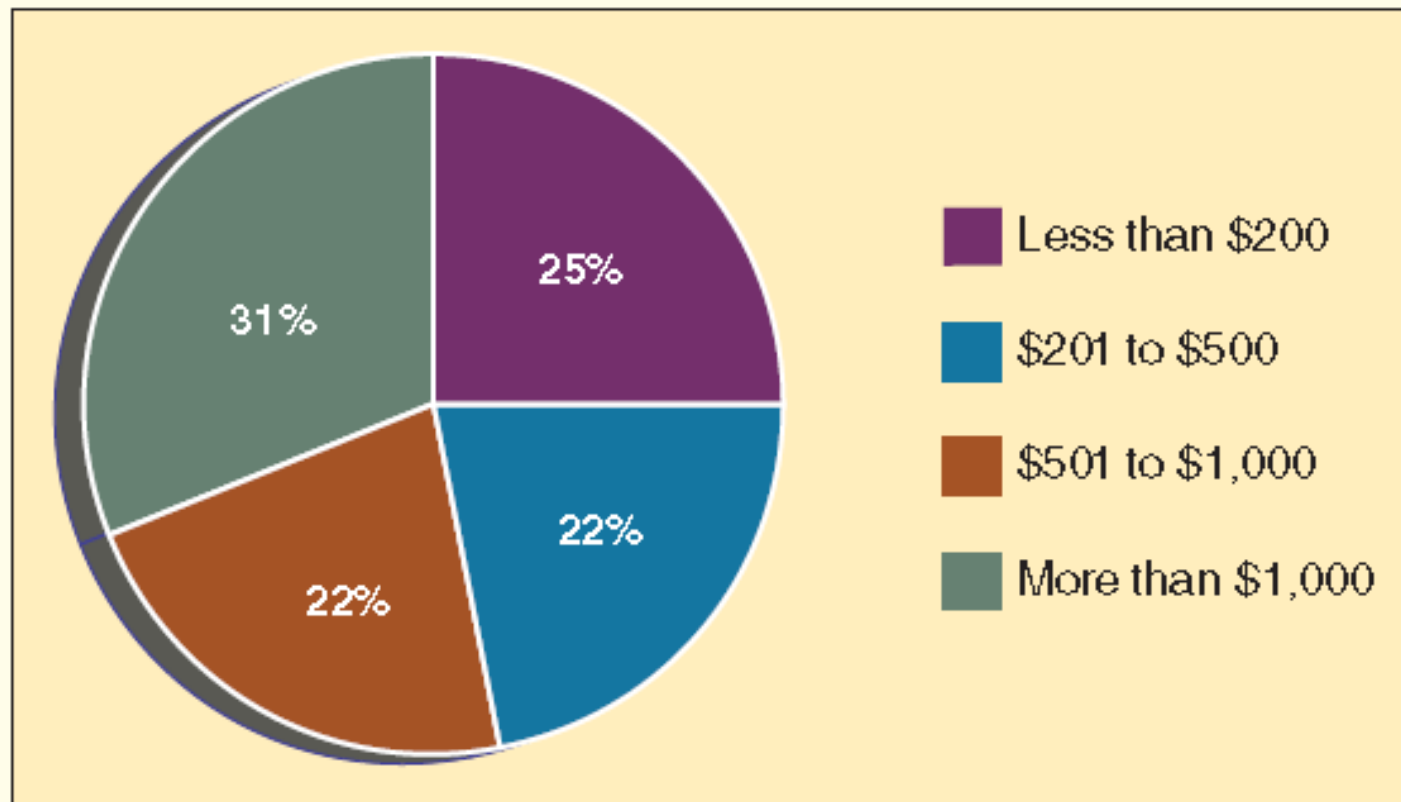
Product - goods, services, and ideas

- Involves creating/modifying
 - Brand names
 - Packaging
- Directly involved with creating products that address customers' needs and wants

Price Variable

- Associated with establishing pricing objectives, policies, and determining product prices
- Price is
 - A critical component of the marketing mix
 - Used as a competitive tool
- Intense price competition leads to price wars

How Much Do You Plan to Spend on Technology this Year?



SNAPSHOT

Source: "How much do you plan to spend on technology this year?," *Money*, p. 100.

Distribution Variable

- Ensuring availability of products in desired quantities to maximum number of target-market customers possible
- Aims to keep costs low for
 - Inventory and transportation
 - Storage
- Ensures availability of products
 - At the right time
 - In convenient locations

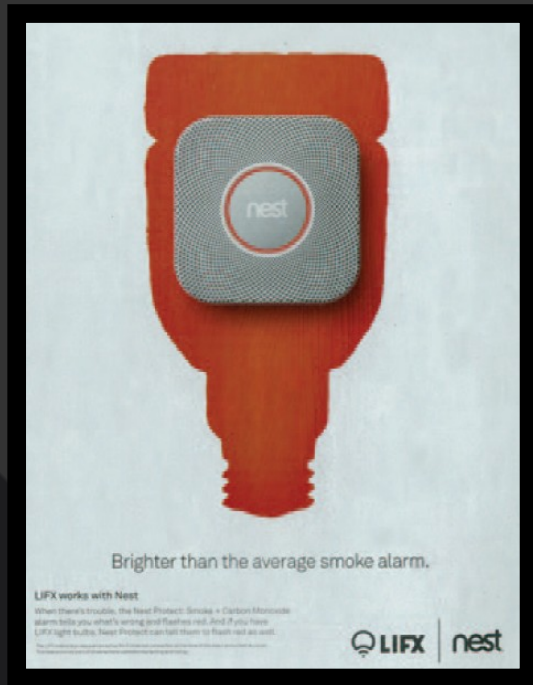
Marketing Managers

- Select/motivate intermediaries
- Establish/maintain inventory control procedures
- Develop/manage transportation and storage systems

Promotion Variable

- Activities that inform individuals or groups about the organization and its products
- Increase public awareness
- Educate customers about product features
- Urge people to take a stance on a political or social issue
- Help sustain interest in established products

Discussion Point – Promotion



Source: Nest Labs, Inc.

Nest increases its distribution channels by promoting its partnership with other organizations, such as LIFX.

What are the costs that have to be kept in mind by the marketing manager while making products available?

Marketing Creates Value



Value

Value - customer's subjective assessment of benefits relative to costs in determining the worth of a product

- Customer benefits - anything a buyer receives in an exchange
- Customer costs - anything a buyer must give up to obtain the benefits of the product
- Marketing mix enhances perceptions of value

Discussion Point – Value-Driven Marketing



Source: 1-800-Flowers.com

1800Flowers provides bouquets with colors and decorations for the autumn season to increase the customer's perception of value.

Does marketing increase the value of products?

Exchange

Exchanges - provision or transfer of goods, services, or ideas in return for something of value

- Two or more parties possessing something of value that the other party desires must participate
- Should provide a benefit
- Each party must have confidence in the promise held by the other
- Parties must meet expectations to build trust

Stakeholders

Stakeholders - constituents who have a stake in some aspect of a company's products, operations, markets, industry, and outcomes

- Customers
- Employees
- Investors
- Shareholders
- Suppliers
- Governments
- Communities

Discussion Point – Satisfying Stakeholder Needs



Source: © iStockphoto.com/MIenny

Lululemon satisfies customers and stakeholders with high-quality products, generates an empowering workplace, and contributes to greater life enjoyment.

For an exchange to take place, what four conditions must exist?

Figure 1.2 - Exchange between Buyer and Seller



Marketing Environment

Marketing environment - constitutes the following forces

- Competitive
- Economic
- Political
- Legal and regulatory
- Technological
- Socio-cultural
- Surrounds the customer and affects the marketing mix

Affects of Marketing Environment

- Affects a marketer's ability to facilitate value-driven marketing exchanges
- Influences customers by affecting their
 - Lifestyle
 - Standards of living
 - Preferences and needs for products
- Affects a marketing manager's decisions and actions

Marketing Concept

Marketing concept - adopting a coordinated set of activities that

- Satisfy customers' needs
- Aid the organization in achieving its goals
- Guides an organization's overall activities
- Customers are the main focus

Discussion Point – Implementing the Marketing Concept



Source: Blue Diamond Growers

Blue Diamond attracts customers by satisfying their needs and wants. This advertisement promotes a healthy, convenient snack food.

Why must organizations focus on customer analysis to implement the marketing concept?

Evolution of the Marketing Concept

Production orientation



Sales orientation



Market orientation

Market Orientation

Market orientation - requires an organization-wide generation of market intelligence pertaining to

- Current and future customer needs
- Dissemination of the intelligence across departments
- Organization wide responsiveness
- Linked to new-product innovation
 - Developing a strategic focus to explore
 - Developing new products to serve target markets
- Being responsive to ever-changing customer needs and wants

Implementing the Marketing Concept

Establish an information system to discover customers' real needs

Use the information to create satisfying products

Listen and respond to consumers frustrations and appreciation

Company must coordinate all its activities to satisfy objectives

Customer Relationship Management

Customer relationship management (CRM) - using information about customers to create marketing strategies that develop and sustain desirable customer relationships

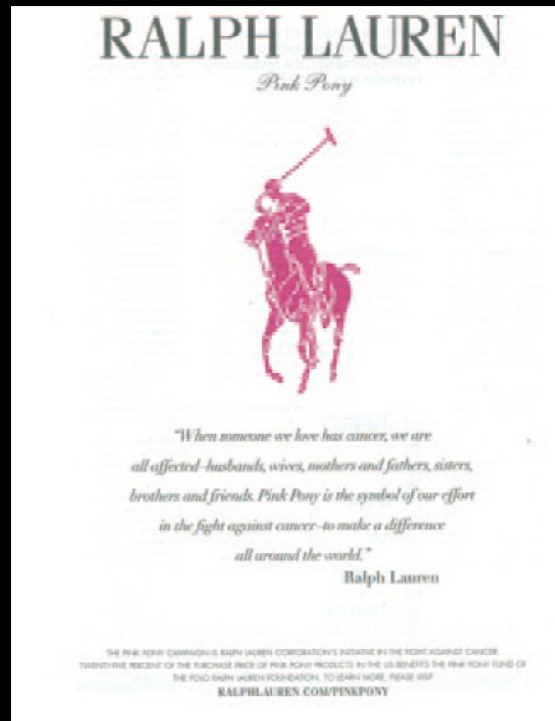
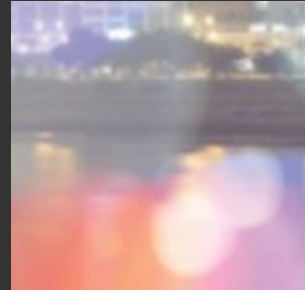
- Acquiring new customers
- Enhancing profitability of existing customers
- Extending the duration of customer relationships

Relationship Marketing

Relationship marketing - long-term and mutually beneficial arrangement

- Deepens the buyers trust
- Building satisfying exchange relationships between buyers and sellers requires
 - Gathering useful data at all customer contact points
 - Analyzing that data to better understand customers' needs, desires, and habits

Discussion Point – Social Marketing



Source: Ralph Lauren Corporation

Marketing is used by companies such as Ralph Lauren to create awareness of its Pink Pony purchases, which generate donations for cancer research.

How does marketing contribute to the well-being of society?

The Importance of Marketing in a Global Economy

- Marketing costs consume a sizable portion of buyers' dollars
- Used in nonprofit organizations
- Important to businesses and the economy
- Fuels global economy
- Marketing knowledge enhances consumer awareness
- Connects people through technology

The Importance of Marketing in a Global Economy (continued)

- Socially responsible marketing - promoting the welfare of customers and stakeholders
- **Green marketing** - strategic process involving stakeholder assessment to
 - Create meaningful, long-term relationships with customers
 - Maintain, support, and enhance the natural environment
- Market orientation combined with social responsibility improves business performance

Table 1.1 –
Selected Cell Phone Activities of U.S. Citizens

Activity	All Cell Phone Owners
Send or receive text messages	81%
Access the Internet	60
Send or receive e-mail	52
Download apps	50
Get directions, recommendations, or other location-based information	49
Listen to music	48
Participate in a video call or video chat	21
Check in or share your location	8